

**ARMSTRONG-RINGSTED
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2006 Election)

Jay Grabinoski	President	2007
Greg Anderson	Vice President	2006
Rick Steinberger		2006
Marti Kindrick		2008
Rod Foster		2008

(After September, 2006 Election)

Rod Foster	President	2008
Marti Kindrick	Vice President	2008
Jay Grabinoski		2007
Paul Stevens		2009
Sandy Tigges	Resigned June, 2007)	

School Officials

Randy Collins	Superintendent
Deb Obbink	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Armstrong-Ringsted Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

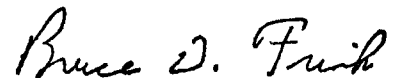
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008 on our consideration of Armstrong-Ringsted Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the year ended June 30, 2006 and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

February 28, 2008

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Armstrong-Ringsted Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,172,860 in fiscal year 2006 to \$3,349,845 in fiscal year 2007, while General Fund expenditures increased from \$3,640,561 in fiscal year 2006 to \$3,578,926 in fiscal year 2007. The District's General Fund balance decreased from \$471,388 in fiscal year 2006 to \$242,307 in fiscal year 2007, a 52% decrease.
- State revenues increased by almost \$100,000 accounting for the majority of increase in revenues.
- Resident enrollment decreased by 23.0 resident students 19.0 students less were actually attending classes in the district. The District has 23 more students open enrolled in than open enrolled out.
- The District's solvency ratio was 8% at the end of fiscal year 2007. The solvency ratio is indicative of the District's ability to meet its financial obligations. Recommended solvency ratio is commonly around 10%.
- The District's Capital Projects Fund decreased by over \$100,000 this year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Armstrong-Ringsted Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Armstrong-Ringsted Community School District Annual Financial Report

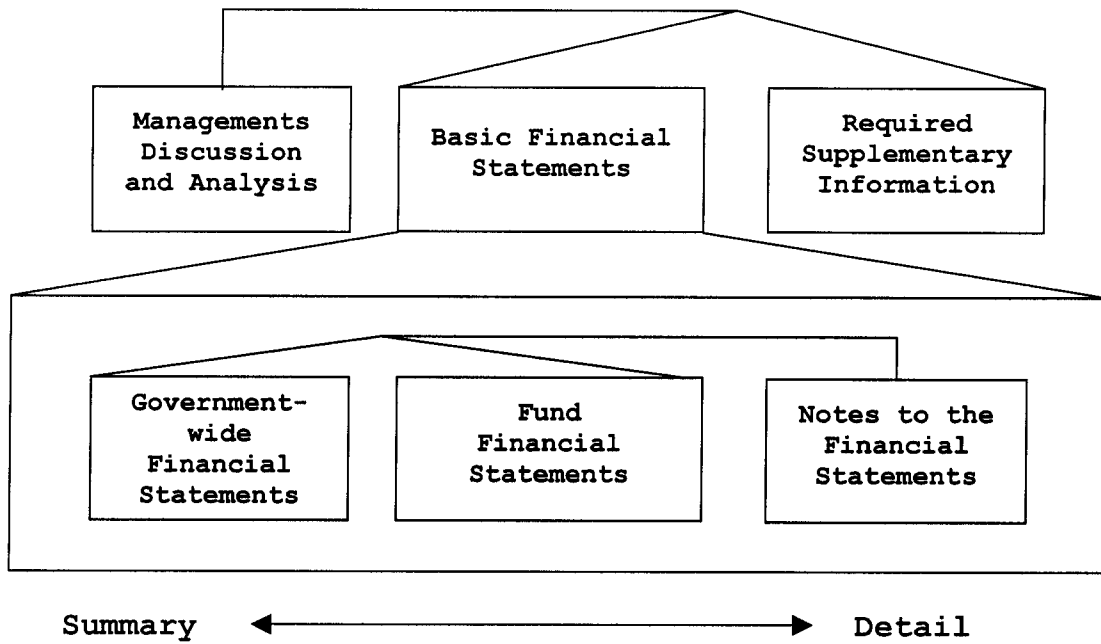


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Agency Funds* - The District holds money for outside groups in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	2,800	3,024	33	34	2,833	3,058	-7.36%
Capital assets	3,826	3,708	5	6	3,831	3,714	3.15%
Total assets	<u>6,626</u>	<u>6,732</u>	<u>38</u>	<u>40</u>	<u>6,664</u>	<u>6,772</u>	<u>-1.59%</u>
Current liabilities	1,773	1,737	-	-	1,773	1,737	2.07%
Non-current liabilities	1,411	1,450	-	-	1,411	1,450	0.00%
Total liabilities	<u>3,184</u>	<u>3,187</u>	<u>-</u>	<u>-</u>	<u>3,184</u>	<u>3,187</u>	<u>-0.09%</u>
Net Assets							
Invested in capital assets, net of related debt	2,436	2,258	5	6	2,441	2,264	7.82%
Restricted	592	647	-	-	592	647	-8.50%
Unrestricted	414	640	33	34	447	674	-33.68%
Total net assets	<u>3,442</u>	<u>3,545</u>	<u>38</u>	<u>40</u>	<u>3,480</u>	<u>3,585</u>	<u>-2.93%</u>

Unrestricted net assets decreased by 34% due to a decrease in the General Fund. Capital assets increased by 8% as depreciation expenses were less than new purchases of capital assets. Restricted assets fell due to a \$100,000 decrease in the Capital Projects Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2007 and 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	230	212	75	84	305	296	3.04%
Operating grants, contributions and restricted interest	607	585	86	90	693	675	2.67%
General revenues:							
Property tax	1,452	1,447	-	-	1,452	1,447	0.35%
Income surtax	177	120	-	-	177	120	47.50%
Local option sales tax	203	179	-	-	203	179	13.41%
Unrestricted state grants	1,216	1,174	-	-	1,216	1,174	3.58%
Unrestricted investment earnings	24	17	-	-	24	17	41.18%
Other	153	3	-	-	153	3	5000.00%
Total revenues	<u>4,062</u>	<u>3,737</u>	<u>161</u>	<u>174</u>	<u>4,223</u>	<u>3,911</u>	<u>7.98%</u>
Program expenses:							
Governmental activities:							
Instruction	2,570	2,486	-	-	2,570	2,486	3.38%
Support Services	1,091	1,334	-	-	1,091	1,334	-18.22%
Non-instructional programs	-	-	163	167	163	167	-2.40%
Other expenses	500	380	-	-	500	380	31.58%
Total expenses	<u>4,161</u>	<u>4,200</u>	<u>163</u>	<u>167</u>	<u>4,324</u>	<u>4,367</u>	<u>-0.98%</u>
Change in net assets	<u>(99)</u>	<u>(463)</u>	<u>(2)</u>	<u>7</u>	<u>(101)</u>	<u>(456)</u>	<u>322.15%</u>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,062,525 and expenses were \$4,161,357.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Net Change	Net Cost of Services		Net Change
	2007	2006	2006-07	2007	2006	2006-07
	\$	\$		\$	\$	
Instruction	2,570	2,486	3.38%	1,874	1,818	3.08%
Support Services	1,091	1,334	-18.22%	1,075	1,322	-18.68%
Other expenses	500	380	31.58%	375	263	42.59%
Totals	<u>4,161</u>	<u>4,200</u>	<u>-0.93%</u>	<u>3,324</u>	<u>3,403</u>	<u>-2.32%</u>

- The cost financed by users of the District's programs was \$230,328.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$331,401.
- The net cost of governmental activities was financed with \$1,451,784 in property tax, \$1,215,687 in state foundation aid, and \$24,174 in interest income.

Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$160,808 and expenses were \$162,752. The revenues include charges for services, contributions, and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

The Armstrong-Ringsted Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$3,441,532, which is 2% less than last year's ending fund balance of \$3,540,634.

Governmental Fund Highlights

- The District has an 8% solvency ratio.
- The school infrastructure sales is collected in all counties. This will aid the school in future infrastructure projects. Expenditures exceeded revenues by over \$100,000 this year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased by almost \$2,000 in fiscal year 2007.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenue were less than budgeted amounts in all areas of funding sources.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$3.8 million, net of accumulated depreciation, by the end of fiscal year 2007 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year. Total depreciation expenses for the year exceeded \$180,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	20	20	-	-	20	20	0.00%
Site improvements	106	18	-	-	106	18	488.89%
Buildings	3,331	3,376	-	-	3,331	3,376	-1.33%
Furniture and equipment	369	294	5	6	374	300	24.67%
Totals	<u>3,826</u>	<u>3,708</u>	<u>5</u>	<u>6</u>	<u>3,831</u>	<u>3,714</u>	<u>3.15%</u>

Long-Term Debt

The District has the following outstanding debt. Early retirement is granted on a year by year basis. General obligation bonds will fully mature in 2022.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
	\$	\$	
Early retirement	21	-	100.00%
General obligation bonds	<u>1,390</u>	<u>1,450</u>	<u>-4.14%</u>
Total	<u>1,411</u>	<u>1,450</u>	<u>-2.69%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- Sharing students and/or programs continues to be looked into.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Obbink, District Business Manager, Armstrong-Ringsted Community School District, PO Box 75, Armstrong, IA 50514-0075.

Basic Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	913,526	13,212	926,738
Receivables:			
Property tax:			
Current year	48,726	-	48,726
Succeeding year	1,687,156	-	1,687,156
Income surtax - succeeding year	132,253	-	132,253
Due from other governments	16,829	-	16,829
Other receivables	1,108	8,574	9,682
Inventories	-	11,240	11,240
Capital assets, net of accumulated depreciation	3,826,377	4,661	3,831,038
Total assets	<u>6,625,975</u>	<u>37,687</u>	<u>6,663,662</u>
Liabilities			
Accounts payable	81,856	24	81,880
Accrued interest payable	4,810	-	4,810
Deferred revenue:			
Succeeding year property tax	1,687,156	-	1,687,156
Long-term liabilities:			
Early retirement - current portion	10,338	-	10,338
General obligation bonds payable - current portion	65,000	-	65,000
Early retirement - long term	10,283	-	10,283
General obligation bonds payable - long-term	1,325,000	-	1,325,000
Total liabilities	<u>3,184,443</u>	<u>24</u>	<u>1,773,846</u>
Net assets			
Invested in capital assets, net of related debt	2,436,377	4,661	2,441,038
Restricted for:			
Management levy	180,643	-	180,643
Physical plant and equipment levy	329,563	-	329,563
Capital projects	78,308	-	78,308
Debt service	2,751	-	2,751
Unrestricted	413,890	33,002	446,892
Total net assets	<u>3,441,532</u>	<u>37,663</u>	<u>3,479,195</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
	\$	\$	\$	\$	\$
Functions/Programs					
Governmental activities:					
Instruction:	2,570,034	230,328	465,755	(1,873,951)	-
					(1,873,951)
Support services:					
Student services	59,250	-	-	(59,250)	-
Instructional staff services	78,654	-	-	(78,654)	-
Administration services	436,601	-	5,673	(430,928)	-
Operation and maintenance of plant services	331,557	-	10,504	(321,053)	-
Transportation services	184,899	-	-	(184,899)	-
	1,090,961	-	16,177	(1,074,784)	-
					(1,074,784)
Other expenditures:					
AEA flowthrough	122,539	-	122,539	-	-
Long term debt interest	59,373	-	306	(59,067)	-
Long term debt services	450	-	-	(450)	-
Facilities acquisition and construction	134,601	-	2,675	(131,926)	-
Depreciation (unallocated)*	183,399	-	-	(183,399)	-
	500,362	-	125,520	(374,842)	-
					(374,842)
Total governmental activities	4,161,357	230,328	607,452	(3,323,577)	-
					(3,323,577)

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest				
Expenses	Charges for Service		Governmental Activities	Business Type Activities	Total
\$	\$	\$	\$	\$	\$
162,752	74,910	85,898	-	(1,944)	(1,944)
4,324,109	305,238	693,350	(3,323,577)	(1,944)	(3,325,521)
Business type activities:					
Non-instructional programs:					
Nutrition services					
Total					
General revenues:					
Property tax levied for:					
General purposes					
Management levy					
Capital outlay					
Debt service					
Income surtax					
General purposes					
Capital outlay					
Local option sales taxes					
Unrestricted state grants					
Unrestricted investment earnings					
Other					
Total general revenue					
Change in net assets					
Net assets beginning of year					
Net assets end of year					

* This amount excludes the depreciation that is included in the direct expenses of the various programs.
See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

Assets

Cash and pooled investments							
Receivables:							
Property tax:							
Current year							
Succeeding year							
Income surtax - succeeding year							
Due from other governments							
Accrued interest receivable							
Other receivables							
Total assets							

Liabilities and Fund Balance

Liabilities:							
Accounts payable							
Deferred revenue:							
Succeeding year property tax							
Succeeding year income surtax							
Total liabilities							
Fund balances:							
Reserved for capital projects							
Reserved for debt service							
Unreserved							
Total fund balances							
Total liabilities and fund balances							

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)		\$	898,333
Amounts reported for governmental activities in the statement of net assets are different because:			
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			132,253
Capital assets used in governmental activities are not assets in the governmental funds.			3,826,377
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.			(4,810)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Early retirement payable	(20,621)		
General obligation bonds payable	<u>(1,390,000)</u>		<u>(1,410,621)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>3,441,532</u></u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	1,272,866	128,824	203,385	120,077	70,108	1,795,260
Tuition	230,328	-	-	-	-	230,328
Other	177,024	10,504	2,675	306	140,027	330,536
State sources	1,555,247	-	-	-	-	1,555,247
Federal sources	114,380	-	-	-	-	114,380
Total revenues	3,349,845	139,328	206,060	120,383	210,135	4,025,751
Expenditures:						
Current:						
Instruction:	2,482,940	-	-	-	143,112	2,626,052
Support services:						
Student services	59,250	-	-	-	-	59,250
Instructional staff services	78,654	-	-	-	-	78,654
Administration services	340,816	-	-	-	75,164	415,980
Operation and maintenance of plant services	309,828	89,365	-	-	-	399,193
Transportation services	184,899	-	-	-	-	184,899
	973,447	89,365	-	-	75,164	1,137,976

Invested in capital assets, net of related debt

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
AEA flowthrough	122,539	-	-	-	-	122,539
Long term debt principal	-	-	-	60,000	-	60,000
Long term debt interest	-	-	-	59,523	-	59,523
Long term debt services	-	-	-	450	-	450
Facilities acquisition and construction	-	-	312,616	-	-	312,616
	<u>122,539</u>	<u>-</u>	<u>312,616</u>	<u>119,973</u>	<u>-</u>	<u>555,128</u>
Total expenditures	<u>3,578,926</u>	<u>89,365</u>	<u>312,616</u>	<u>119,973</u>	<u>218,276</u>	<u>4,319,156</u>
Net change in fund balance	<u>(229,081)</u>	<u>49,963</u>	<u>(106,556)</u>	<u>410</u>	<u>(8,141)</u>	<u>(293,405)</u>
Fund balances beginning of year	<u>471,388</u>	<u>279,600</u>	<u>184,864</u>	<u>2,341</u>	<u>253,545</u>	<u>1,191,738</u>
Fund balances end of year	<u>242,307</u>	<u>329,563</u>	<u>78,308</u>	<u>2,751</u>	<u>245,404</u>	<u>898,333</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (293,405)

Amounts reported for governmental activities in the
statement of activities are different because:

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 36,774

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of depreciation expense in the year are as follows:

Capital outlays	301,669	
Depreciation expense	(183,399)	

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(34,275)	
Payments	<u>13,654</u>	(20,621)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 150

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 60,000

Change in net assets of governmental activities (Exhibit B) \$ (98,832)

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>74,910</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	65,512
Benefits	8,726
Supplies	87,634
Depreciation	<u>880</u>
Total operating expenses	<u>162,752</u>
Operating (loss)	<u>(87,842)</u>
Non-operating revenues:	
State sources	2,450
Federal sources	82,655
Interest income	<u>793</u>
	<u>85,898</u>
Changes in net assets	(1,944)
Net assets beginning of year	<u>39,607</u>
Net assets end of year	<u><u>37,663</u></u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	66,360
Cash payments to employees for services	(74,238)
Cash payments to suppliers for goods or services	(78,637)
Net cash (used in) operating activities	<u>(86,515)</u>
Cash flows from non-capital financing activities:	
State grants received	2,450
Federal grants received	74,240
Net cash provided by non-capital financing activities	<u>76,690</u>
Cash flows from investing activities:	
Interest on investments	<u>793</u>
Net increase in cash and cash equivalents	(9,032)
Cash and cash equivalents beginning of year	<u>22,244</u>
Cash and cash equivalents end of year	<u><u>13,212</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(87,842)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	880
Commodities used	8,415
(Increase) in other receivables	(8,550)
Decrease in inventory	558
Increase in accounts payable	24
	<u>(86,515)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>13,212</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$8,415.

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Agency Funds
	<u>\$</u>
Assets	
Cash and pooled investments	56,038
Liabilities	
Other payables	<u>56,038</u>
Net Assets	
Reserved for special purposes	<u><u>-</u></u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmett and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Armstrong-Ringsted Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 4 (except Flex 125 Plan). The Flex 125 Plan was previously included in the District's financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmett County Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction function exceeded the amount budgeted.

(2) **Cash and Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Capital assets being depreciated:				
Site improvements	18,519	93,176	-	111,695
Buildings	5,746,948	84,839	-	5,831,787
Furniture and equipment	656,691	123,654	-	780,345
Total capital assets being depreciated	6,422,158	301,669	-	6,723,827
Less accumulated depreciation for:				
Site improvements	463	5,585	-	6,048
Buildings	2,370,970	129,985	-	2,500,955
Furniture and equipment	362,618	47,829	-	410,447
Total accumulated depreciation	2,734,051	183,399	-	2,917,450
Total capital assets being depreciated, net	3,688,107	118,270	-	3,806,377
Governmental activities, capital assets, net	\$ 3,708,107	118,270	-	3,826,377

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	10,560	-	-	10,560
Less accumulated depreciation	5,019	880	-	5,899
Business type activities capital assets, net	<u>\$ 5,541</u>	<u>(880)</u>	<u>-</u>	<u>4,661</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

\$ 183,399

Business Type activities:

Food service operations

\$ 880

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$123,160, \$117,295, and \$119,032 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$122,539 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(6) Risk Management

Armstrong-Ringsted Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) **Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bonds</u>	<u>Early Retirement</u>	<u>Total</u>
Balance beginning of year	\$1,450,000	-	1,450,000
Additions	-	34,275	34,275
Reductions	<u>60,000</u>	<u>13,654</u>	<u>73,654</u>
Balance end of year	<u>\$1,390,000</u>	<u>20,621</u>	<u>1,410,621</u>

General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Total \$</u>
2008	3.00	57,722	65,000	122,722
2009	3.00	55,773	70,000	125,773
2010	3.30	53,673	70,000	123,673
2011	3.50	51,362	75,000	126,362
2012	3.70	48,737	80,000	128,737
2013	3.90	45,777	80,000	125,777
2014	4.00	42,658	85,000	127,658
2015	4.10	39,258	90,000	129,258
2016	4.25	35,567	95,000	130,567
2017	4.40	31,530	100,000	131,530
2018	4.50	27,130	105,000	132,130
2019	4.60	22,405	110,000	132,405
2020	4.70	17,345	115,000	132,345
2021	4.75	11,940	120,000	131,940
2022	4.90	<u>6,240</u>	<u>130,000</u>	<u>136,240</u>
Total		<u>547,117</u>	<u>1,390,000</u>	<u>1,937,117</u>

Early retirement was offered to employees who attained the age of 55 and had completed ten years of contracted service with the District. A cash option not to exceed to \$15,000 or 50% of the employee's 2006-07 salary was offered. An insurance option not to exceed \$18,600 or 50% of the employee's 2006-07 salary was offered. A combination of cash and insurance was also offered with the same limits as the insurance option. There is not guarantee that the benefit will be offered in future years.

Required Supplementary Information

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts		Final to Actual Variance -
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,356,124	75,703	2,431,827	2,663,793	2,663,793	(231,966)
State sources	1,555,247	2,450	1,557,697	1,612,026	1,612,026	(54,329)
Federal sources	114,380	82,655	197,035	210,000	210,000	(12,965)
Total revenues	<u>4,025,751</u>	<u>160,808</u>	<u>4,186,559</u>	<u>4,485,819</u>	<u>4,485,819</u>	<u>(299,260)</u>
Expenditures:						
Instruction	2,626,052	-	2,626,052	2,615,000	2,615,000	(11,052)
Support services	1,137,976	-	1,137,976	1,367,000	1,367,000	229,024
Non-instructional programs	-	162,752	162,752	199,224	199,224	36,472
Other expenditures	555,128	-	555,128	826,404	826,404	271,276
Total expenditures	<u>4,319,156</u>	<u>162,752</u>	<u>4,481,908</u>	<u>5,007,628</u>	<u>5,007,628</u>	<u>525,720</u>
Excess (deficiency) of revenues over (under) expenditures	(293,405)	(1,944)	(295,349)	(521,809)	(521,809)	226,460
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(293,405)	(1,944)	(295,349)	(521,809)	(521,809)	226,460
Balance beginning of year	<u>1,191,738</u>	<u>39,607</u>	<u>1,231,345</u>	<u>1,466,806</u>	<u>1,466,806</u>	<u>(235,461)</u>
Balance end of year	<u>898,333</u>	<u>37,663</u>	<u>935,996</u>	<u>944,997</u>	<u>944,997</u>	<u>(9,001)</u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction function exceeded the amount budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	Management Levy	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	179,563	64,380	243,943
Property tax receivable:			
Current year	1,085	-	1,085
Succeeding year	70,000	-	70,000
Other receivables	<u>-</u>	<u>1,108</u>	<u>1,108</u>
Total assets	<u>250,648</u>	<u>65,488</u>	<u>316,136</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	5	727	732
Deferred revenue:			
Succeeding year property tax	<u>70,000</u>	<u>-</u>	<u>70,000</u>
	<u>70,005</u>	<u>727</u>	<u>70,732</u>
Fund balance:			
Unreserved fund balance	<u>180,643</u>	<u>64,761</u>	<u>245,404</u>
	<u>180,643</u>	<u>64,761</u>	<u>245,404</u>
Total liabilities and fund balances	<u>250,648</u>	<u>65,488</u>	<u>316,136</u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management Levy	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	70,108	-	70,108
Other	<u>5,673</u>	<u>134,354</u>	<u>140,027</u>
Total revenues	<u>75,781</u>	<u>134,354</u>	<u>210,135</u>
Expenditures:			
Instruction:	-	143,112	143,112
Support services:			
Administrative services	<u>75,164</u>	<u>-</u>	<u>75,164</u>
Total expenditures	<u>75,164</u>	<u>143,112</u>	<u>218,276</u>
Excess of revenues over expenditures	617	(8,758)	(8,141)
Fund balances beginning of year	<u>180,026</u>	<u>73,519</u>	<u>253,545</u>
Balance end of year	<u><u>180,643</u></u>	<u><u>64,761</u></u>	<u><u>245,404</u></u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Foreign Language Club	2,486	-	90	2,396
Interest	5,477	1,120	-	6,597
Student Council - High School	212	912	1,010	114
Class of 2011	-	307	-	307
Class of 2010	-	2,564	1,994	570
Class of 2009	143	9,114	5,195	4,062
Class of 2008	8,962	5,497	8,701	5,758
Class of 2007	6,668	10,013	13,001	3,680
Class of 2006	6,019	-	3,587	2,432
Athletics	(1,154)	50,492	51,533	(2,195)
Art Club	274	-	-	274
Drama Club	(1,296)	659	827	(1,464)
Jr/Sr High - Student Needs	3,583	14,164	13,560	4,187
Vocal	3,809	4,271	2,334	5,746
Music Fund Raising	896	-	-	896
Instrumental	1,641	1,149	280	2,510
Honor Society	137	1,866	1,544	459
Petty Cash	240	-	-	240
Community Recreation	3,337	121	-	3,458
Library Book Fair	1,041	4,229	4,506	764
Elementary - Student Needs	7,605	13,145	8,234	12,516
Middle School - Student Council	1,602	88	70	1,620
FCCLA	1,602	3,071	2,436	2,237
FFA	1,664	4,752	5,155	1,261
Drill Team	(359)	2,156	1,865	(68)
Cheerleaders	145	487	709	(77)
Technology Funds (POP)	18,785	4,177	16,481	6,481
Totals	<u>73,519</u>	<u>134,354</u>	<u>143,112</u>	<u>64,761</u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2007

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Flex 125 Plan	4,171	38,107	33,327	8,951
Music Boosters	28,070	22,197	12,730	37,537
Athletic Boosters	5,142	14,794	14,353	5,583
Harris	-	944	944	-
Post Prom	2,217	9,863	9,692	2,388
PTC	669	1,667	1,722	614
A/R Helps	923	151	109	965
	<u>41,192</u>	<u>87,723</u>	<u>72,877</u>	<u>56,038</u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,795,260	1,746,181	2,098,077	2,168,354
Tuition	230,328	212,314	224,679	225,388
Other	330,536	294,668	268,605	221,619
State sources	1,555,247	1,458,858	1,260,638	1,962,192
Federal sources	114,380	112,358	251,576	129,948
Total	<u>4,025,751</u>	<u>3,824,379</u>	<u>4,103,575</u>	<u>4,707,501</u>
Expenditures:				
Instruction:	2,626,052	2,485,767	2,321,291	2,187,923
Support services:				
Student services	59,250	79,631	49,275	50,953
Instructional staff services	78,654	82,658	63,851	57,982
Administration services	415,980	407,162	421,238	408,665
Operation and maintenance of plant	399,193	608,028	280,037	244,612
Transportation services	184,899	199,062	195,960	144,750
Non-instructional programs:				
Food service operations	-	-	-	779
Other expenditures:				
Facilities acquisition and construction	312,616	82,365	434,042	2,560,698
Long-term debt:				
Principal	60,000	60,000	55,000	35,000
Interest	59,523	60,723	61,772	78,178
Services	450	350	350	350
AEA Flowthrough	122,539	113,850	112,875	112,778
Total	<u>4,319,156</u>	<u>4,179,596</u>	<u>3,995,691</u>	<u>5,882,668</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Armstrong-Ringsted Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Armstrong-Ringsted Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Armstrong-Ringsted Community School District's financial statements that is more than inconsequential will not be prevented or detected by Armstrong-Ringsted Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

Compliance and Other Matters

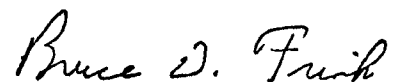
As part of obtaining reasonable assurance about whether Armstrong-Ringsted Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Armstrong-Ringsted Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Armstrong-Ringsted Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Armstrong-Ringsted Community School District and other parties to whom Armstrong-Ringsted Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Armstrong-Ringsted Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 28, 2008

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the certified budget amounts in the instruction function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

- 07-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 07-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 07-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.